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## **Mexico**

### **Solid Wood Products**

### **Annual (Part 1)**

### **2003**

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**Report Highlights:**

The forest sector and wood processing sub sectors are in a state of crisis, as inadequate infrastructure and other structural problems are undermining Mexico's ability to compete in the international market. Despite the fact that the United States has the largest share of the Mexican import market for forest products, there is intense competition from several countries such as Chile, Brazil, Malaysia and Canada. As a result, imports from the United States in 2004 are expected to remain at 2003 levels.

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Includes PSD Changes: No  
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## ECONOMIC OUTLOOK

Mexico's economy rebounded from a stagnant GDP growth rate in 2001 to a growth rate of about 1 percent in 2002. Projections for 2003 are for annual growth to be between 1.5 and 1.6 percent. This is in sharp contrast to the growth Mexico experienced in the late 1990s. Between 1996 and 2000, Mexico achieved an annual economic growth of 5.5 percent, and retail sales increased almost 5 percent annually. Currently, the Mexican economy is showing mixed signs of recovery. Retail sales, which did not grow in 2002, have been strong in 2003, and are projected to grow 3.7 percent for the year. However, the official unemployment rate has grown to 3.5 percent, its highest level in eight years. Most experts are projecting that the Mexican recovery from the stagnant growth in 2001 will continue, but are tying this recovery to the continued strengthening in the U.S. economy.

## FOREST SITUATION

Forest information continues to be based on the Periodical National Forest Inventory of 1994, as the Secretariat for the Environment and Natural Resources (SEMARNAT) did not publish the National Inventory of 2000-2001. According to SEMARNAT officials, this inventory was not published due to use of inappropriate methodology in accurately estimating the forest situation. In its Strategic Plan, SEMARNAT states that it does not have reliable information on the country's forest surface by state, by basin and by species. Nor is SEMARNAT data periodically updated.

Mexico's total forest resource base is estimated at 56.8 million hectares, 80 percent of which is owned by cooperatives and communal farms ("ejidos"), 15 percent by private owners and the remaining 5 percent belongs to the nation. The break down is as follows:

MEXICO'S MAJOR FOREST TYPES	FOREST SUB-TYPES	MILLION HECTARES	PERCENTAGE OF TOTAL AREA
TEMPERATE-COLD CLIMATE	SOFTWOODS	20.8	68%
	HARDWOODS	9.6	32%
	SUBTOTAL	30.4	100%
TROPICAL-SUBTROPICAL	HIGHLAND MID-FOREST	5.8	22%
	LOW TROPICAL FOREST	10.9	41%
	OTHER	9.7	37%
	SUBTOTAL	26.4	100%

According to official sources, in the last 30 years, the country's population has doubled and the consumption of goods and services has tripled in real terms. Mexico has about 100 million inhabitants and is the 11th most populous country in the world. As a consequence of this large and growing population, there have been changes in the use of natural resources, which have had a severe impact in the relationship with the environment. One of the most important affects has been the constant degradation of forest ecosystems and deforestation.

The Government of Mexico (GOM) states that deforestation should be a national security issue because of the huge pressure it puts on forest resources. Mexico has one of the highest deforestation rates in the world, although estimates vary widely (from 600,000 to 1.5 million hectares/year.), due to the lack of updated and reliable deforestation information. The main cause of deforestation has been the agricultural policy of the last three decades, which has promoted the extensive use of forest areas for agricultural and livestock activities,

rather than establishing incentives for protecting or investing in forest areas. Other important causes of deforestation include pests, diseases, and fires, which are frequently caused by farmers igniting adjacent grazing lands.

According to the GOM, the consequences of deforestation include a general degradation of the ecosystem, and, specifically, erosion, sedimentation of lakes, reduction in the recharging of watersheds in different parts of the country, flooding, negative impacts on biodiversity, and reduction of the productive potential due to the loss of soil fertility.

The forest's sector main problems can be generalized as follows:

- Mexico's forest areas are inhabited by some 12 million people, most of them affected by extreme poverty and migration.
- The lack of recognition of community property and the disorganized and ineffective communal property ("*ejido*") distribution have resulted in land conflicts in most of the territory due to undefined borders, demarcations and pending resolutions in agricultural courts. It has led to short-term production decisions and an unfavorable investment climate.
- Localized over-exploitation of resources
- Negative trade balance in forest products
- Non-competitiveness of the forest sector internationally
- Environmental degradation, which is closely linked to poverty-induced behavior
- Inadequate institutional and legal frameworks to promote sustainable production, resulting in high transaction costs and lack of consistency in regulations. Also, there is a weak relationship between forest regulations and fiscal laws
- The break up of information systems, low reliability, lack of coordination and information and communication among the forest sector's key players

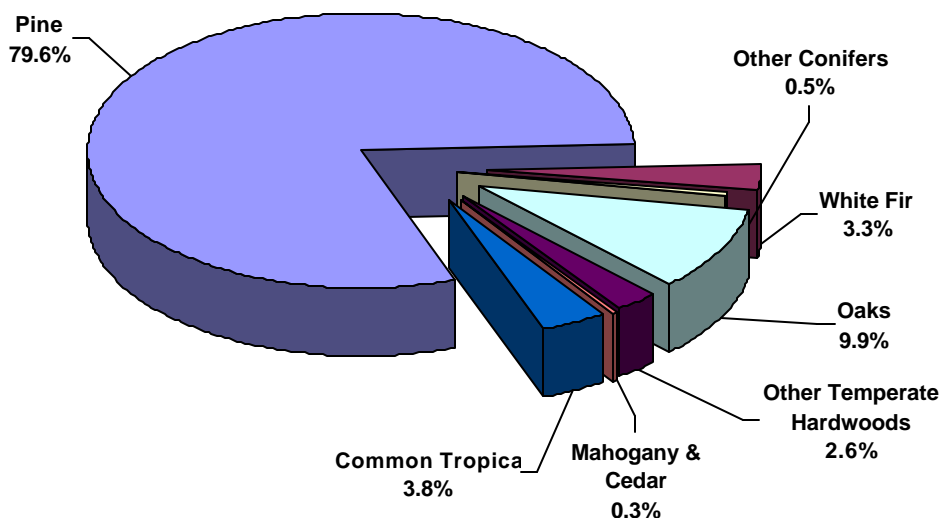
In general, Mexico is not using its forest resources in a sustainable manner; nor does the current system allow for a significant increase in production. The sector continues to be affected by insufficient resources for harvesting, inadequate basic infrastructure for distribution of raw materials, low productivity per hectare, and limited use of forestry techniques.

Based on the National Forest Inventory of the country's total forest resources, 21.6 million ha have commercial potential. Of this area, only 8.6 million ha are currently in use. The annual forestry growth rate is estimated at 30 million m<sup>3</sup>. In addition, mountain ranges dominate Mexico's topography. Difficult terrain and insufficient access to rivers make transportation of timber and other materials challenging and costly, especially in the mountain ranges that dominate Mexico's topography. Because of the vast area these mountain ranges encompass, this has serious implications for forestry and forest-related activities.

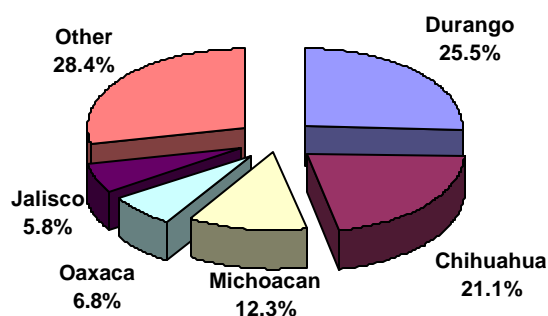
Although Mexico has the world's 11th largest total forest area and is the 26th largest forest producer, the contribution of the forestry sector to Mexico's GDP has traditionally been small. For 2002, SEMARNAT estimates that the forestry sector's contribution to the national GDP was only 1.0 percent. This small contribution has limited the Mexican government's budget allocations.

According to SEMARNAT, the country's main wood species in terms of surface area and economic important are the *pinus* and *quercus* varieties, of which Mexico obtains approximately 80 percent and 5 percent respectively of the total national timber production.

### MAIN SPECIES & SHARE OF FOREST PRODUCTION 2002



### DISTRIBUTION OF STANDING VOLUME BY STATE FOR 2002 (PERCENTAGE)



The average productivity in temperate forests is only 1.2 m<sup>3</sup> per hectare per year, and in tropical forests it is 0.5 m<sup>3</sup> per hectare per year, due to poor forest management. Almost all Mexico's forest timber production comes from native forests, as the majority of commercial forestry plantings are of recent creation and have not yet entered into production.

Illegal cutting continues to be a common practice in Mexico's rural forest sector, due to several reasons, including a tenuous land ownership system, inability to perform inspection and surveillance activities, lack of employment opportunities in some regions of the country, the industrial sector's willingness to buy illegal wood, and corruption. Illegal cutting has been estimated at 13 million m<sup>3</sup> per year.

A very important use of forest resources in Mexico is fuel, both as firewood and charcoal. National consumption has been estimated at 36 million m<sup>3</sup>/year. Firewood is the main source of energy in the country's rural areas. There are regions where the demand exceeds

the natural growth of forest ecosystems, causing excessive exploitation of forestry resources, particularly in the central region and along the Gulf of Mexico. Forests are also important areas for grazing, and in tropical areas they are also used in rotation under traditional slash and burn agricultural practices. Another problem is that sustainable forest management is poor or non-existent in firewood production areas for domestic use.

Although highly variable, during 1995-2001, the annual average area affected by forest fires was 241,181 ha. During the first six months of 2003, the number of forest fires was approximately 17 percent higher than the annual average. Official sources pointed out that in 2003, weather conditions were particularly atypical with higher temperatures than in 1998, one of the worst years in terms of forest fires. These sources also estimated that the final number of forest fires for 2003 would not change substantially, as the rainy season was fairly normal. Available CONAFOR data on numbers of fires and affected area are as follows:

YEAR	FOREST FIRES	AFFECTED AREA (HECTARES)
2000	8, 557	235,915
2001	6, 340	136, 879
2002	8,155	198,178
2003*	7,815	283,115

\* DATA AS OF JUNE 2003

The breakdown of fires by type of affected area for the first six months of 2003 is the following: grazing land (199,0000 ha) and forest area (84,113 ha). Mexican states most affected by fire in 2003 were: the states of Mexico, Michoacan, Jalisco, Chiapas, Puebla, Chihuahua, Oaxaca, Guerrero and Hidalgo.

STRATEGIC INDICATOR TABLE: FOREST AREA			
(MILLION HECTARES/MILLION CUM)			
COUNTRY: MEXICO	PREVIOUS	CURRENT	FOLLOWING
REPORT YEAR: 2003	CALENDAR YEAR (2002)	CALENDAR YEAR (2003)	CALENDAR YEAR (2004)
TOTAL LAND AREA	196.70	196.70	196.70
TOTAL FOREST AREA	141.70	141.70	141.70
--OF WHICH, COMMERCIAL	21.00	21.00	21.00
----OF COMMERCIAL, TROPICAL HARDWOOD	NA	NA	NA
----OF COMMERCIAL, TEMPERATE HARDWOOD	NA	NA	NA
----OF COMMERCIAL, SOFTWOOD	NA	NA	NA
--OF FOREST AREA, NONCOMMERCIAL	9.70	9.70	9.70
FOREST TYPE	30.2 1/	30.2 1/	30.4 1/
--OF WHICH, VIRGIN	NA	NA	NA
--OF WHICH, PLANTATION	0.34	0.34	NA
--OF WHICH, OTHER COMMERCIAL (RE-GROWTH)	NA	NA	NA
FOREST OWNERSHIP			
--NATIONALLY OWNED AND NO COMMERCIAL ACCESS	9.00	9.00	NA
--NATIONALLY OWNED, COMMERCIAL LOGGING PERMITTED	7.00	7.00	7.00
--OTHER PUBLICLY OWNED LAND, NO COMMERCIAL ACCESS	NA	NA	NA
--OTHER PUBLICLY OWNED, LOGGING PERMITTED	113.4 4/	113.4 4/	113.4 4/
--PRIVATELY OWNED COMMERCIAL FOREST	NA 2/	NA 2/	NA 2/
TOTAL VOLUME OF STANDING TIMBER	2,803.49	2,803.49	2,803.49
--OF WHICH, COMMERCIAL TIMBER	NA	NA	NA
ANNUAL TIMBER REMOVAL	7.5 3/	7.5 3/	7.5 3/
ANNUAL TIMBER GROWTH RATE	35.10	35.10	35.10
ANNUAL ALLOWABLE CUT	2.80	2.80	NA

1/ CORRESPOND TO TEMPERATE-COLD CLIMATE FOREST, OF WHICH 68 PERCENT ARE SOFTWOODS AND 32 PERCENT ARE HARDWOODS

2/ 21.2 MILLION HECTARES ARE PRIVATELY OWNED BUT THERE IS NO SPECIFIED COMMERCIAL AREA

3/ ANNUAL AVERAGE

4/ CORRESPOND TO COMMUNAL PROPERTY ("EJIDOS") BUT THERE IS NOT SPECIFIED COMMERCIAL AREA

SOURCE: THE SECRETARIAT FOR THE ENVIRONMENT AND NATURAL RESOURCES (SEMARNAT) BASED ON THE NATIONAL FOREST INVENTORY, 1994.

## PROGRAMS

CONAFOR continues to coordinate the main government programs such as the National Reforestation Program (PRONARE), the National Forest Development Program (PRODEFOR), the National Program for the Promotion of Forest Plantations (PRODEPLAN) and the Conservation and Sustainable Forest Management Project (PROCYMAF).

On August 8, 2003, the head of the National Forest Commission announced three new programs that would increase competition in the forest sector: the Forest Competitiveness Program, the Program for Education and Forest Training, and the e-Forest System. In reference to the Forest Competitiveness Program, the CONAFOR head explained how difficult it is for Mexico to compete given globalization, world recession, NAFTA, and other free trade agreements into which Mexico has entered.

The objective of the e-Forest program is to promote forest activity through diverse electronic applications. With e-forest, any Internet user would be able to access information on forest support programs, R&D activities, geographic maps and training courses, among other benefits.

PROCYMAF's main objective is to provide training activities and to promote sustainable management of forest resources in the states of Oaxaca, Guerrero, Michoacan, Jalisco, Durango and Chihuahua through support from the World Bank. According to CONAFOR, in 2002 the financing of 433 projects of sustainable forest management through this program benefited 79,273 ha in 174 communities. Approximately 16.3 million pesos (approximately U.S. \$1.5 million) were allocated to this program in 2002.

On March 26, 2003 SEMARNAT announced in the "Diario Oficial" the operational rules of its "Forestry Plantations Support Program" (PRODEPLAN). It allocated 337.04 million pesos (US \$30.6 million) for the program during 2003. According to SEMARNAT, in 2002 it allocated 546.2 million pesos (US \$49.6 million) to PRODEPLAN, under which 96,700 ha of commercial forestry plantations were financed, an increase of 79 percent from the previous year.

Reforestation continues to be an important issue for the GOM. Its principal reforestation program continues to be PRONARE (see MX 7103 and MX 8124), which has operated since 1995. The main objective of this program is to reforest degraded areas with native species that possess the desirable genetic characteristics necessary to improve overexploited areas. One fundamental element of PRONARE is the restoration, recovery and enrichment of those lands that have been degraded as a result of clearing of trees, changes in land use, pests, and fires. Official sources stated that an estimated 16 million ha of forest areas can be reforested.

According to official data, 224,800 ha of land were reforested throughout Mexico in 2002 – an area over one and a half times the size of Mexico City. Approximately 720 ha of the Ajusco volcano has been reforested with almost a million trees and work has begun on restoring 147.5 ha of the forests of Desierto de los Leones National Park. Also, through PRONARE and PRODEPLAN, 2,903 ha of the Monarch Butterfly Biosphere Reserve were reforested in 2002. For 2003, the available information on reforestation is as follows:

NATIONAL REFORESTATION PROGRAM				
As of July 30, 2003				
No. Counties	No. Fields	Reforestation Area (has.)	Goal (has.)	Advance %
1,317	2,668	59,433	170,000	35

Also, on March 26, 2003, SEMARNAT announced the operational rules of PRODEFOR, a program oriented toward the development of common lands and their communities (ejidos). According to these rules, in 2003, the GOM will assign approximately 310 million pesos (approximately US \$28.0 million) to this program, assuming that the Mexican state governments contribute their proportional share. This amount is 40 percent greater than what SEMARNAT assigned to it in 2002. Moreover, the GOM specified the amounts to be distributed through different activities such as technical studies, forest management programs, promotion of handling practices to increase productivity (such as pre-clearing and pruning), construction of forest roads, and activities to combat forest fires. The breakdown of activities and the maximum support amounts are as follows:

I. FOREST PRODUCTION	
1) FOREST MANAGEMENT PROGRAMS	MAXIMUM UNIT COST (PESOS)
>20 HECTARES < 250 HECTARES	70/HA.
> 250 HECTARES	60/HA.
1.1) MANIFESTATIONS OF ENVIRONMENTAL IMPACT	
<125 HECTARES	8,000 / MANIFESTATION
126 - 500 HECTARES	15,000 / MANIFESTATION
501 OR MORE HECTARES	30 /HA.
2) TRAINING	45,000 / EVENT
3) TECHNICAL ASSISTANT	50,000 / PROJECT
5) EXECUTION OF MANAGEMENT PROGRAM	315,000 / PROJECT
II. FOREST PRODUCTIVITY	
	MAXIMUM UNIT COST (PESOS)
6) PRE-CLEARING AND PRUNING	475/HA.
7) SUSTAINABLE FOREST MANAGEMENT CERTIFICATION	
50 – 100 HECTARES	5,000 / PROJECT
>100 HECTARES	50 / PROJECT
8) APPLIED INVESTIGATION AND TECHNOLOGY TRANSFER	120,000 / EVENT
III. PRODUCTIVE CHAINS	
9) PROJECT ELABORATION ON TREE CUTS, SAWING AND LOAD ACTIVITIES	50,000 / PROJECT
10) IMPLEMENTATION PROJECT OF TREE CUTS, SAWING AND LOAD ACTIVITIES	315,000 / PROJECT
11) FOREST ROADS	1,000,000/ PROJECT
12) TRANSFORMATION OF FOREST RAW MATERIALS (VALUE ADDED WOOD & NOT WOOD PRODUCTS)	600,000/ PROJECT
13) COMMERCIALIZATION SUPPORTS	70,000/ PROJECT
IV. PRODUCTIVE DIVERSIFICATION	
14) TECHNICAL STUDIES FOR THE USE OF NOT WOOD PRODUCTS	60/HA.
15) EXECUTION OF OF ECOLOGICAL TOURISM	500,000/ INVESTMENT
EXCHANGE RATE: U.S. \$1 = 11.00 PESOS	

## PHYTOSANITARY ISSUES

On July 25, 2003, SEMARNAT published in the *Diario Oficial* (Mexico's "Federal Register") the final standard for new imported lumber. Based on a preliminary analysis, it appears that SEMARNAT eliminated the onerous phytosanitary requirement that would have impeded U.S. exports when NOM-016 was initially published as a proposed rule. It appears that SEMARNAT incorporated most of the comments submitted by USDA when the NOM was first proposed (see MX 3102). Regulation NOM-017, which will regulate used wood, has not yet been published as final rule (see MX 0154). Nor has SEMARNAT yet published the final rule for NOM-014, which will regulate the importation of new or used wooden pallets, crates or other packing boxes (see MX 7069).

## SOLID WOOD PRODUCTS OVERVIEW

The forest products sector is in a state of crisis. Diminishing natural resources, poor infrastructure, and inefficient technology are the underlying causes for the 18-percent drop in output in 2002 in the forest product sectors. These same problems also affect the competitiveness of the wood processing sub sectors.

The weakness in the forest products sector is illustrated by the decrease in round-wood production. Round-wood production has fallen 29 percent from 2000 to 2002 to 6.7 million m<sup>3</sup>. This negative trend is expected to continue in 2003. For 2004, however, round-wood production is forecast to remain stable at approximately 6.4 million m<sup>3</sup>, assuming a recovery in the economy, which would increase demand for round-wood.

FOREST PRODUCTS PRODUCTION 1995-2002

	Units x1000	1995	1996	1997	1998	1999	2000	2001	2002
Roundwood	m <sup>3</sup>	6,302	6,844	7,712	8,331	8,497	9,429	8,124	6,665

Source: SEMARNAT

## INDUSTRY STRUCTURE AND CONSTRAINTS

A key aspect related to forest management in Mexico is profitability. The causes for low profitability can be found in the limited use of the potential forest production, due to factors such as poor infrastructure, high operation costs, and the remoteness of harvesting locations from markets. Mexican mills are generally the property of the private sector, but a few mills are operated by "ejidos." There are several different obstacles to wood extraction and transportation, including outdated wood extraction techniques and obsolete machinery. Moreover, producers and contractors do not make enough money to update their technology due to low productivity and high costs. The remoteness of forest areas to markets is one of the main obstacles to the industry's vertical and horizontal integration. Most of the industry is located in remote areas of the northern states of Durango, Chihuahua and Michoacan, while markets are located in Mexico City, Guadalajara and Monterrey.

Some extraction practices cause soil degradation and erosion, hamper the optimization of the value of wood and result in economic losses, both for primary producers as well as for the wood processing industry. Also, current systems do not allow for significant increases in production. The lack of roads, specialized equipment, and skilled manpower make most of the timber inaccessible. Moreover, according to industry sources, there is a high risk of industrial accidents for workers.

The poorly established productive chain generates losses of raw materials both in terms of volume and quality. The uncertainty of the supply flow creates ineffective storage. The most current statistics of forest industry data continue to be those statistics published by SEMARNAT in 1999 (see MX 2142).

Imports in 2004 should remain at 2003 levels for most wood products, with the United States continuing to be the main supplier. Forest products continue to be used mainly by the furniture and the material handling industries in Mexico. Products are not generally used in the construction of homes, except in the laying of concrete, and finish work, such as molding and parquet flooring.

It should be noted that an advantage of Mexico's forestry industry lies in its geographic proximity to the U.S., the world's largest market for forestry products. Other advantages include the ease with which workers can be trained, cheap labor costs, and reasonable energy prices. Finally, some extraction techniques have been well adapted in Mexico to natural forests, such as selective cutting, and extracting small volumes per hectare.

## INTERNATIONAL TRADING ENVIRONMENT

Under NAFTA, Mexico instituted tariff rate quotas (TRQs) for seven products, mainly covering softwood chips and planks (see MX2142). On January 1, 2003, however, these tariffs and TRQs were eliminated as a part of the next phase of NAFTA.

A free trade agreement was signed between Mexico and the European Union (EU), which went into effect on July 1, 2000. Under this agreement, tariffs will be eliminated over a period not to exceed 10 years. Tariffs on industrial products in the EU and Mexico have been eliminated faster than those on agricultural products (by January 1, 2007, with the bulk of it by January 1, 2003). The EU eliminated all industrial tariffs, including those on wood products in 2003. It should be noted that EU tariffs on many wood products were eliminated on July 1, 2000, when the agreement entered into force. On the other hand, Mexico will eliminate all tariffs on wood products by January 1, 2007, with many of them slated to be completely phased out on January 1, 2005.

## POLICY

The Secretariat of Economy (SE) has yet to publish in Mexico's Federal Register the final resolution of the global safeguard investigation against all plywood imports (see MX 2115 and MX 2142). However, according to industry sources, it is likely that U.S. plywood exports will be excluded from this final resolution and the resulting imposition of countervailing duties. Historically, U.S. softwood plywood imports have not been a source of complaint for the Mexican plywood industry, as U.S. plywood does not compete directly with Mexican plywood products.

The Finance Ministry (SHCP) has continued enforcing the Reference Pricing and Custom Cash Account System (see MX 4192 and MX 1176) which attempts to reduce the under-invoicing and technical contraband that Mexican plywood manufacturers had alleged were occurring on tropical hardwood plywood imported from Asian countries, mainly Malaysia. According to the National Association of Plywood Producers (ANAFATA), since the implementation of this system, the under-invoicing problem has diminished substantially, as the main importers of plywood have been registering their imports. ANAFATA pointed out, that a few cases of technical contraband have been detected through the Pitex program. This program allows assembly or manufacturing companies to import certain inputs (i.e., plywood) duty-free in order to manufacture items or goods to be exported. Industry sources indicated that SHCP

had detected some companies, located in Juarez near the Mexico-Texas border, which were importing plywood duty-free through this Pitex program but reselling it domestically rather than exporting the goods, as authorized under the program.

## MARKET DEVELOPMENT STRATEGIES

There are imperfections in the wood market because of the lack of a comprehensive and reliable information system to support the potential buyers and sellers' decision-making. This explains, in part, the large number of brokers involved in the marketing of logs and manufactured goods. Important channels of distribution for Mexican wood product imports include direct importers, sales agents, importing distributors and branches of foreign companies.

The majority of existing buyers in Mexico place orders of one truckload or less owing to limited cash flow and lack of credit availability. These constraints, along with the limited availability of distribution centers, make it difficult for buyers to purchase large volumes of U.S. products. Moreover, there is increased competition from several countries, such as Chile, Malaysia, Indonesia, Canada and Brazil. Chile in particular has continued to increase its market share in the Mexican softwood and plywood markets through an aggressive pricing strategy.

Due to this strong foreign competition, industry sources insist that it is very important for U.S. marketers to remain flexible in understanding and responding to customer needs, as this flexibility is key in remaining competitive. The challenge for U.S. exporters in Mexico in the near future is to maintain and/or compete with third countries for an expanding share of the Mexican forest product market. The U.S. industry should continue to increase Mexican consumers' awareness of the advantages of the physical and mechanical properties of the U.S. hardwood and softwood products through promotional and educational efforts.

Sources stated, however, that U.S. suppliers could lose in the "pricing strategy" as competition from low-cost producers is strong and increasing. Fortunately, U.S. suppliers still have important advantages such as geographic proximity and lower freight costs, product quality, grading uniformity, species strength and perceived value. It is up to the American suppliers to commit to the Mexican market and find customers looking for a high quality product. In addition, USDA's Commodity Credit Corporation also offers credit guarantees for U.S. exporters to Mexico under the GSM-102 and Supplier Credit Guarantee programs, which provides assistance in financing exports to Mexico.

Industry sources state that there is a possible trade opportunity in Mexico's hotel sector for U.S. softwoods used in interior joinery and outdoor applications such as piers, decks, and gazebos. Tropical hardwoods are widely specified for both interior and exterior uses but the difficulties in sourcing this material makes U.S. products a viable alternative. Reportedly, many Mexican costumers in these resort areas, unlike most other regions where concrete is by far the preferred building material, are more familiar with wood products for construction purposes.

At the same time, Cooperators should continue to promote U.S. solid wood products. The Southern Pine Council & Softwood Exports Council (SPC/SEC), the American Hardwood Export Council (AHEC) and the American Forest & Paper Association (AF&PA) have continued to work actively in the Mexican market. There are a wide variety of activities and services that SPC/SEC, AHEC and AF&PA make available to help develop interest in U.S. hardwood and softwood products in Mexico.

**SOFTWOOD LOGS PS&D TABLE**

PSD Table						
Country	Mexico					
Commodity	Softwood Logs			1000 CUBIC METERS		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	6360	5742	6500	5318	0	5342
Imports	2	2	3	4	0	5
TOTAL SUPPLY	6362	5744	6503	5322	0	5347
Exports	1	1	1	1	0	1
Domestic Consumption	6361	5743	6502	5321	0	5346
TOTAL DISTRIBUTION	6362	5744	6503	5322	0	5347

**PRODUCTION**

From MY 2000 to MY 2002, the total annual round-wood harvest decreased from 9.49 million m<sup>3</sup> to 6.65 million m<sup>3</sup>. In the same period, the softwood harvest also fell from 8.49 million m<sup>3</sup> to 5.42 million m<sup>3</sup>. This downward trend is expected to continue in MY 2003, with total annual wood production forecast at 6.36 million m<sup>3</sup>.

According to industry sources, this decrease is attributed to the lack of appropriate forestry methods for forest management along with economic and structural problems. As mentioned before, approximately 80 percent of production continues to occur on lands that are owned under the "ejido" structure, where land can only be contracted out for a year at a time. As a result, forestry companies have found it financially risky to invest in the necessary infrastructure, as they cannot depend on the right to be able to harvest the land in succeeding years. As for supply, the main issues are high extraction and transportation costs, since the industry is located far from harvest areas, which are usually small, scattered areas made even more inaccessible by poor road infrastructure. Moreover, clandestine logging and clear cutting continue. These factors, together with a lack of effective commercial reforestation programs, have resulted in timber shortages.

Logging activities are normally interrupted during the winter rainy season, which is from November through February. Heavy rains in Durango during August and September 2003 have made roads impassable and have forced timber producers to stop harvesting.

For MY 2004, however, softwood log production is forecast to increase slightly to 5.342 million m<sup>3</sup>; this is based on the assumption that the Mexican economy, and, in particular, the construction sector, will begin to recover. According to Mexico's Central Bank, 2004 GDP growth is estimated at 3.4 percent, a 1.4 percentage point increase from 2003. Production estimates for MY 2002 and 2003 have been decreased, reflecting the slowdown in the economy and official data from SEMARNAT.

**CONSUMPTION**

For 2004, overall consumption is forecast to increase slightly because of expectations that the Mexican economy will recover. For MYs 2002 and 2003, consumption estimates have

been revised downward, due to the slowdown in the Mexican economy. The most significant problem facing the industry has been the scarcity and relatively high cost of raw materials. In MY 2002, it was estimated that wood processing plants in Mexico were operating at very low capacity, primarily due to lack of wood resources. Lack of supply has placed upward pressure on input prices, which has resulted in domestic round wood being priced higher than its quality warrants. According to industry sources in Durango, the main producing state, the producer price of round-wood was between U.S. \$ 80–85 per cubic meter in September 2003. These same sources stated that in countries like Chile, the producer price of round wood is approximately U.S. \$ 45.00 per cubic meter.

## TRADE

MY 2004 imports are forecast to increase slightly, due to expectations of recovery in the Mexican economy. Softwood log exports to the United States are forecast to remain flat in MY 2004, due to the strategy of emphasizing high-value exports, such as moldings, rather than softwood logs. Imports for MY 2003 have been revised upward as a result of lower domestic production than previously estimated.

## TRADE MATRIX

SOFTWOOD LOGS H.S. 4403.20		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	1,223	U.S.	9,918
OTHER		OTHER	
JAPAN	80	CHILE	148
TOTAL OF OTHER	80	TOTAL OF OTHER	148
OTHERS NOT LISTED	0	OTHERS NOT LISTED	0
GRAND TOTAL	1,303	GRAND TOTAL	10,066

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

SOFTWOOD LOGS H.S. 4403.20		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	729	U.S.	1,744
OTHER		OTHER	
		BELIZE	56
TOTAL OF OTHER	0	TOTAL OF OTHER	56
OTHERS NOT LISTED	0	OTHERS NOT LISTED	5
GRAND TOTAL	729	GRAND TOTAL	1,805

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

## TEMPERATE HARDWOOD LOGS PS&D TABLE

PSD Table
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Country	Mexico					
Commodity	Temperate Hardwood Logs			1000 CUBIC METERS		
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	899	829	915	787	0	788
Imports	10	4	11	8	0	10
TOTAL SUPPLY	909	834	926	795	0	798
Exports	1	1	2	0	0	0
Domestic Consumption	908	834	924	795	0	798
TOTAL DISTRIBUTION	909	834	926	795	0	798

## PRODUCTION

MY 2004 total temperate hardwood log production is forecast to remain stable at 788,000 m<sup>3</sup>. One of the factors hindering the production of temperate hardwood logs is poor industrial demand as well as small and uneven tree diameter, which makes the thinning and cleaning processes too expensive. The production estimate for MY 2003 has been revised downward because heavy summer rains have limited access to certain logging areas. In MY 2002, temperate hardwood log production represented only 12 percent of the total roundwood production in Mexico, with annual harvests dropping to 829,000 m<sup>3</sup> against 974,000 m<sup>3</sup> in MY 2001. The main hardwood log producing states in MY 2002 were Durango 238,496 m<sup>3</sup>, Sonora 115,506 m<sup>3</sup>, Michoacan 101,179 m<sup>3</sup>, Nayarit 59,522 m<sup>3</sup>, Tabasco 44,551 m<sup>3</sup>, and Jalisco 21,705 m<sup>3</sup>.

## CONSUMPTION

Temperate hardwood is used by the domestic furniture industry and for some architectural applications, although tropical hardwood continues to dominate these markets. Use of temperate hardwood has declined continuously since MY 2000. Projected MY 2004 consumption is forecast at 798,000 m<sup>3</sup>, assuming higher demand from furniture manufacturers as a result of expected better economic growth. Reportedly, furniture manufacturers are looking for alternatives to tropical hardwoods, such as Ipe and Sapota, which are difficult to work with and increasingly difficult to source. Consumption estimates for MY 2002 and 2003 reflect weaker consumer demand stemming from Mexico's poor economic performance.

## TRADE

MY 2004 imports are forecast to increase slightly to 10,000 m<sup>3</sup>, due to expected increases in demand as Mexican furniture manufacturers are expected to benefit from an improving economy.

## TRADE MATRIX

TEMPERATE HARDWOOD LOGS H.S. 4403.9 <sup>a</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	136	U.S.	34,651
OTHER		OTHER	
JAPAN	713	CANADA	93
HONG KONG	322		
TOTAL OF OTHER	1,035	TOTAL OF OTHER	93
OTHERS NOT LISTED	357	OTHERS NOT LISTED	0
GRAND TOTAL	1,528	GRAND TOTAL	34,744

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

TEMPERATE HARDWOOD LOGS H.S. 4403.9 <sup>a</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	80	U.S.	3,970
OTHER		OTHER	
JAPAN	136	CANADA	87
TAIWAN	145		
TOTAL OF OTHER	281	TOTAL OF OTHER	87
OTHERS NOT LISTED	149	OTHERS NOT LISTED	65
GRAND TOTAL	510	GRAND TOTAL	4,122

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

<sup>a</sup> Expressed values for HS 4403.9 consolidates the following subheadings: 4403.91, 4403.92 & 4403.99

**SOFTWOOD LUMBER PS&D TABLE**

PSD Table						
Country	Mexico					
Commodity	Softwood Lumber			1000 CUBIC METERS		
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	2163	2010	2210	1861	0	1870
Imports	2937	3911	3020	3324	0	3500
TOTAL SUPPLY	5100	5921	5230	5185	0	5370
Exports	20	10	30	8	0	10
Domestic Consumption	5080	5911	5200	5177	0	5360
TOTAL DISTRIBUTION	5100	5921	5230	5185	0	5370

**PRODUCTION**

Softwood lumber production for MY 2004 is forecast at 1.87 million m<sup>3</sup>. This forecast assumes the construction sector will recover, thereby increasing demand for clears, finish grade moldings, door jambs and other pine-derived finished products. The MY 2002 and MY 2003 production estimates have been revised downward according to the most recent industry information which takes into account those years' unfavorable economic conditions and low-priced import competition, mainly from Chile.

Industry sources pointed out that there are imperfections in the wood market because of the lack of reliable market information to back the potential buyers and sellers' decision-making. This explains in part, they said, the large number of brokers involved in the marketing of logs and lumber.

**CONSUMPTION**

MY 2004 softwood lumber consumption is forecast at 5.36 million m<sup>3</sup>. According to industry sources, in general, the forest industry does not satisfy the domestic market products that meet international standards. Moreover, weak linkages between producers and processors has prevented the balanced development of both sub-sectors. The consumption estimate for MY 2003 has been revised downward, reflecting the economic slowdown in several industries such as export assembly plants ("maquiladoras"), furniture and construction. The total consumption estimate for MY 2002 has been increased based on industry information.

**TRADE**

MY 2004 imports are forecast at 3.5 million m<sup>3</sup>, due to the expected economic recovery. Import estimates for MY 2002 and 2003 have been revised based on information gathered from industry sources and not on the generally reliable SE information. It should be noted that there is a big difference between official Mexican data from SE and U.S. Census data, with the statistics of the former appearing to have been inconsistently recorded in different units of measure such that it has rendered SE's import statistics unreliable in certain HTS categories (e.g. softwood lumber, tropical hardwood lumber). Taken at face value, SE data

show huge increases in import volume in MY 2002 and 2003 – an increase that industry contacts refute. Based on this and the fact that no private or other government source (i.e. SEMARNAT) agreed with SE's import estimates for MY 2002 and 2003, FAS/Mexico has based its import estimates for these years on industry data, rather than the official data provided in the 2002 trade tables.

Chile has continued as the main supplier of softwood lumber in the last few years because of competitive prices and good quality. Moreover, Chilean wood products imported by the Mexican industry have benefited from the Mexico-Chile Free Trade Agreement. Industry sources pointed out that these Chilean imports have been oriented to several sectors such as the domestic furniture, flooring, paneling, construction, including interior non-structural applications (such as furniture) and exterior applications (such as wood decking) and the packing sector.

FAS/Mexico has revised downward export estimates for MY 2002 and 2003 (preliminary data for this year) based on official Mexican data. For MY 2004, Mexico's exports are expected to increase to 10,000 m<sup>3</sup>.

### TRADE MATRIX

SOFTWOOD LUMBER H.S. 4407.1 <sup>c</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	46,970	U.S.	549,945
OTHER		OTHER	
ARGENTINA	3,892	CHILE	1,991,944
		BRAZIL	99,271
TOTAL OF OTHER	3,892	TOTAL OF OTHER	2,091,215
OTHERS NOT LISTED	3,983	OTHERS NOT LISTED	102,265
GRAND TOTAL	54,845	GRAND TOTAL	2,743,425

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

SOFTWOOD LUMBER H.S. 4407.1 <sup>c</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	7,549	U.S.	445,834
OTHER		OTHER	
ARGENTINA	2,341	CHILE	7,957,283
		VENEZUELA	3,350,870
TOTAL OF OTHER	2,341	TOTAL OF OTHER	11,308,153
OTHERS NOT LISTED	484	OTHERS NOT LISTED	469,384
GRAND TOTAL	10,374	GRAND TOTAL	12,223,371

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

<sup>c</sup> Expressed values for HS 4407.1 consolidates the following subheadings: 4407.10.01, 4407.10.02, 4407.10.03, 4407.10.04 & 4407.10.99

### TEMPERATE HARDWOOD LUMBER PS&D TABLE

PSD Table						
Country	Mexico					
Commodity	Temperate Hardwood Lumber		1000 CUBIC METERS			
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	405	375	415	355	0	355
Imports	320	170	325	205	0	210
TOTAL SUPPLY	725	545	740	560	0	565
Exports	0	0	1	0	0	0
Domestic Consumption	725	545	739	560	0	565
TOTAL DISTRIBUTION	725	545	740	560	0	565

### PRODUCTION

For MY 2004, temperate hardwood lumber production is expected to remain unchanged at 355,000 m<sup>3</sup>. Production estimates for MY 2002 and 2003 (preliminary information for this year) have been decreased to reflect official data from SEMARNAT. Sources indicated that Mexico is becoming increasingly dependent on foreign sources of hardwood lumber.

### CONSUMPTION

Domestic consumption for MY 2004 is expected to increase slightly to 565,000 m<sup>3</sup>, assuming a recovery in the furniture industry, the primary market; secondary markets include the flooring, architectural millwork, and material handling industry (primarily pallets). During the last few years, consumption of temperate hardwood lumber has decreased, due to

increased competition from better-priced tropical hardwood species. As a result, the market share of temperate hardwood lumber has decreased approximately 20 percent in the last five years, industry sources pointed out. These tropical hardwood varieties compete in parquet flooring, molding, furniture panels and furniture in general. Consumption figures for MY 2002 and 2003 have been revised downward, reflecting the overall slowdown in the economy in these years.

## TRADE

Mexican imports of hardwood lumber in MY 2004 are expected to increase from 205,000 m<sup>3</sup> in MY 2003 to 210,000 m<sup>3</sup>, due to increased demand from the Mexican furniture industry. Import estimates of temperate hardwood lumber have been revised downward based on SE data.

## TRADE MATRIX

TEMPERATE HARWOOD LUMBER H.S. 4407.9 <sup>d</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	842	U.S.	156,996
OTHER		OTHER	
JAPAN	134	PERU	175,640
		CANADA	1,856
TOTAL OF OTHER	134	TOTAL OF OTHER	177,496
OTHERS NOT LISTED	484	OTHERS NOT LISTED	1,923
GRAND TOTAL	1,460	GRAND TOTAL	336,415

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

TEMPERATE HARWOOD LUMBER H.S. 4407.9 <sup>d</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	116	U.S.	159,494
OTHER		OTHER	
JAPAN	86	CANADA	3,192
HONG KONG	98	PERU	2,301
TOTAL OF OTHER	185	TOTAL OF OTHER	5,493
OTHERS NOT LISTED	40	OTHERS NOT LISTED	4,945
GRAND TOTAL	341	GRAND TOTAL	169,932

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

<sup>d</sup> Expressed values for HS 4407.9 consolidates the following subheadings: 4407.91.01, 4407.92.99, 4407.99.01, 4407.99.02, 4407.99.03, 4407.99.04, 4407.99.05 & 4407.99.99.

**TROPICAL HARDWOOD LUMBER PS&D TABLE**

PSD Table						
Country	Mexico					
Commodity	Tropical Hardwood Lumber		1000 CUBIC METERS			
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	122	139	124	132	0	135
Imports	45	60	46	57	0	60
TOTAL SUPPLY	167	199	170	189	0	195
Exports	0	0	0	0	0	0
Domestic Consumption	167	199	170	189	0	195
TOTAL DISTRIBUTION	167	199	170	189	0	195

**PRODUCTION**

Total Mexican tropical hardwood lumber production is forecast in 135,000 m<sup>3</sup> in MY 2004. Tropical hardwood log production has remained at low levels, due to depletion of jungle areas, and the inaccessibility of some species, located in remote areas. In some forest regions in Southern Mexico, environmentalist movements are protesting the timber harvest of these tropical hardwood species. Even SEMARNAT has recognized the severe deforestation problems of some regions in Chiapas and Oaxaca. Production estimates for MY 2002 and 2003 have been revised upward based on the most recent official information of SEMARNAT.

**CONSUMPTION**

MY 2004 consumption of imported tropical lumber is forecast at 195,000 m<sup>3</sup>, due to expected strong demand by the furniture industry – the industry most likely to profit from the projected recovery. The domestic construction sector also purchases some quantities of hardwood lumber for use as decorative wood as does the molding industry. For MY 2002 and 2003, consumption figures have been revised upward based on industry information.

**TRADE**

The favorable economic outlook is expected to increase lumber imports during MY 2004 to 60,000 m<sup>3</sup>. Imports of tropical lumber varieties such as Virola and Curpixa Audioba from Brazil have already aggressively penetrated the Mexican market, due to their low cost. This import trend is expected to continue in MY 2004, as furniture plants have opted for these better-priced tropical hardwood species. Brazil and Peru have been the main suppliers of tropical hardwood lumber to Mexico in the last few years.

Import estimates for MY 2002 and 2003 have been revised based on information gathered from industry sources and not on the generally reliable SE information. It should be noted that there is a big difference between official Mexican data from SE and U.S. Census data, with the statistics of the former appearing to have been inconsistently recorded in different units of measure such that it has rendered SE's import statistics unreliable in certain HTS

categories (e.g., temperate hardwood logs, softwood lumber, tropical hardwood lumber). Taken at face value, SE data show huge increases in import volume in MY 2002 and 2003 – an increase that industry contacts refute. Based on this and the fact that no private or other government source (i.e., SEMARNAT) agreed with SE's import estimates for MY 2002 and 2003, FAS/Mexico has based its import estimates for these years on industry data, rather than the official data provided in the 2002 trade tables.

### TRADE MATRIX

TROPICAL HARDWOOD LUMBER H.S. 4407.2 <sup>e</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	344	U.S.	284
OTHER		OTHER	
CUBA	370	PERU	213,715
		INDONESIA	2,738
TOTAL OF OTHER	370	TOTAL OF OTHER	216,453
OTHERS NOT LISTED	131	OTHERS NOT LISTED	19,911
GRAND TOTAL	845	GRAND TOTAL	236,648

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

TROPICAL HARDWOOD LUMBER H.S. 4407.2 <sup>e</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	45	U.S.	447
OTHER		OTHER	
CUBA	1	PERU	304,663
		BRAZIL	516,660
TOTAL OF OTHER	1	TOTAL OF OTHER	821,323
OTHERS NOT LISTED	0	OTHERS NOT LISTED	13,003
GRAND TOTAL	46	GRAND TOTAL	834,773

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

<sup>e</sup> Expressed values for HS 4407.2 consolidates the following subheadings: 4407.24.01, 4407.24.99, 4407.25.01, 4407.26.01, 4407.29.01, 4407.29.03 & 4407.29.99

**SOFTWOOD PLYWOOD PS&D TABLE**

PSD Table						
Country	Mexico					
Commodity	Softwood Plywood			1000 CUBIC METERS		
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	115	130	140	115	0	172
Imports	195	204	188	236	0	205
TOTAL SUPPLY	310	334	328	351	0	377
Exports	1	1	1	1	0	2
Domestic Consumption	309	333	327	350	0	375
TOTAL DISTRIBUTION	310	334	328	351	0	377

**PRODUCTION**

Domestic production for softwood plywood is expected to increase in MY 2004 to 172,000 m<sup>3</sup> assuming that the GOM imposes a safeguard action (see Policy section). Sources indicate that plants that were either closed down or are under producing will likely pick up production in the last part of 2003 and that they will continue to do so during 2004 if the safeguard is imposed. Mexican plywood plants, with few exceptions, are very old by industry standards. For MY 2003, the revised production estimate is 18 percent lower than the original MY 2003 estimate, due to increasing import competition. The production estimate for MY 2002 has been revised upward to 130,000 m<sup>3</sup>. Both MY 2003 and 2002 figures reflect ANAFATA data.

During 2002 another two plywood plants were closed in Durango -- Forestal Sierra Plywood and Plywood Ponderosa. Reportedly, there are 14 plywood plants, which have been hurt in recent years by import competition. As evidence of increasing import competition, the plywood industry has been operating at only 50-percent capacity in CY 2003. Industry sources insisted that the Mexican pine plywood industry continues to face limited availability of raw materials as well as stagnant domestic prices.

**CONSUMPTION**

MY 2004 consumption is forecast at 375,000 m<sup>3</sup> due to the expected recovery in the Mexican economy, especially in the construction sector. The primary use of softwood plywood is in the construction industry. Consumption estimates for MY 2002 and MY 2003 have been revised upward reflecting ANAFATA information. The demand for furniture and cabinets for export drove consumption during those years.

AVERAGE PINE PLYWOOD PRICES, 2003 MEXICAN PESOS PER SHEET		
THICKNESS (INCHES)	SIZE (FEET)	CUSTOMER PRICE
7/64	4X8	77.00
7/32	4X8	106.00
11/32	4X8	155.00
15/32	4X8	182.00
19/32	4X8	229.00
23/32	4X8	267.00

Source: ANAFATA

Rate of Exchange: 11.00 Pesos to U.S.\$1.00

## TRADE

MY 2004 imports are expected to decrease approximately 13 percent, due to expectations that countervailing duties will be imposed on imports from certain third countries. MY 2003 softwood plywood imports are expected to rise for the remainder of the year, as domestic production continues to decrease, due to competition from imports. The MY 2002 import estimate has been revised upward based on final data issued by the Secretariat of Economy (SE).

### TRADE MATRIX

SOFTWOOD PLYWOOD H.S. 4412.1 <sup>f</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	2,495	U.S.	109,548
OTHER		OTHER	
COSTA RICA	37	CHILE	46,050
TOTAL OF OTHER	37	TOTAL OF OTHER	46,050
OTHERS NOT LISTED	107	OTHERS NOT LISTED	12,460
GRAND TOTAL	2,639	GRAND TOTAL	168,058

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

SOFTWOOD PLYWOOD H.S. 4412.1 <sup>f</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	1,145	U.S.	114,412
OTHER		OTHER	
		CHILE	76,991
TOTAL OF OTHER	0	TOTAL OF OTHER	76,991
OTHERS NOT LISTED	0	OTHERS NOT LISTED	12,895
GRAND TOTAL	1,145	GRAND TOTAL	204,298

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

<sup>f</sup> Expressed values for HS 4412.19 consolidates the following subheadings: 4412.19.01, 4412.19.02 & 4412.19.99

### TEMPERATE HARDWOOD PLYWOOD PS&D TABLE

PSD Table						
Country	Mexico					
Commodity	Hardwood Plywood		1000 CUBIC METERS			
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Production	13	8	9	8	0	13
Imports	22	25	23	27	0	25
TOTAL SUPPLY	35	33	32	35	0	38
Exports	0	0	0	0	0	0
Domestic Consumption	35	33	32	35	0	38
TOTAL DISTRIBUTION	35	33	32	35	0	38

### PRODUCTION

Total hardwood plywood production is forecast to increase to 13,000 m<sup>3</sup> for MY 2004, due primarily to the relatively high cost of imports, the growth of the furniture industry and the assumption that the GOM will impose countervailing duties on some exporter countries, as a result of an expected safeguard action (see Policy section). The production estimates for MY 2002 and 2003 have been revised based on information received from ANAFATA.

### CONSUMPTION

Consumption is forecast to increase to 38,000 m<sup>3</sup> in MY 2004 as the furniture industry grows in response to the expected economy recovery. Cabinet and furniture manufacturers, in particular, increasingly demand this product. Some major Mexican producers already buy veneers and do their own lamination. Consumption figures for MY 2002 and 2003 have been updated based on ANAFATA information.

## TRADE

MY 2004 imports are forecast at 25,000 m<sup>3</sup> due to higher domestic production of temperate hardwood plywood. The MY 2003 import estimate has been revised upward, due to increased demand from furniture manufacturers. The import estimate for MY 2002 has been revised upward in accordance with the SE's final official data. Mexican consumption of temperate hardwood plywood continues to be filled primarily by imports from Brazil and Ecuador. Brazil, for example, has continued to increase its market share through a strategy of competitive pricing for the furniture industry.

## TRADE MATRIX

TEMPERATE HARDWOOD PLYWOOD H.S. 4412.14 <sup>9</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	112	U.S.	1,640
OTHER		OTHER	
		ECUADOR	11,268
		BRAZIL	3,189
TOTAL OF OTHER	0	TOTAL OF OTHER	14,457
OTHERS NOT LISTED	0	OTHERS NOT LISTED	9,094
GRAND TOTAL	112	GRAND TOTAL	25,191

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

TEMPERATE HARDWOOD PLYWOOD H.S. 4412.14 <sup>9</sup>		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	0	U.S.	1,427
OTHER		OTHER	
		BRAZIL	7,395
		ECUADOR	7,342
TOTAL OF OTHER	0	TOTAL OF OTHER	14,737
OTHERS NOT LISTED	0	OTHERS NOT LISTED	8,391
GRAND TOTAL	0	GRAND TOTAL	24,555

SOURCE: World Trade Atlas. Mexico Edition. June 2003.

<sup>9</sup> Expressed values for HS 4412.14 consolidates the following subheadings: 4412.14.00 & 4412.14.99

## STRATEGIC INDICATOR TABLE

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2003	Product Description					
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.					
4401.10.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms.	EX	N/A	20.00	N/A	EX
4401.21.01	Coniferous.	EX	N/A	13.00	N/A	EX
4401.22.01	Nonconiferous.	EX	N/A	13.00	N/A	EX
4401.30.01	Sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.	EX	N/A	13.00	N/A	EX
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.					
4403.10.01	Treated with paint, stain, creosote or other preservatives.	EX	N/A	13.00	N/A	EX
4403.20.99	Other, coniferous.	EX	N/A	13.00	N/A	EX
4403.41.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	13.00	N/A	EX
4403.49.01	Other.	EX	N/A	13.00	N/A	EX
4403.49.99	Other.	EX	N/A	13.00	N/A	EX
4403.91.01	Of oak (Quercus spp.).	EX	N/A	13.00	N/A	EX
4403.92.01	Of beech (Fagus spp.).	EX	N/A	13.00	N/A	EX
4403.99.99	Other.	EX	N/A	13.00	N/A	EX
4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handlers or the like; chipw					
4404.10.01	Coniferous.	EX	N/A	18.00	N/A	EX
4404.10.99	Coniferous.	EX	N/A	18.00	N/A	EX
4404.20.01	Nonconiferous.	EX	N/A	23.00	N/A	EX
4404.20.02	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.03	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.04	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.99	Nonconiferous.	EX	N/A	18.00	N/A	EX
4405	Wood wool (excelsior); wood flour.					
4405.00.01	Wood wool (excelsior); wood flour.	EX	N/A	18.00	N/A	EX
4405.00.02	Wood wool (excelsior); wood flour.	EX	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2003	Product Description					
4406	Railway or tramway sleepers (cross-ties) of wood.					
4406.10.01	Not impregnated.	EX	N/A	18.00	N/A	EX
4406.90.99	Other.	EX	N/A	18.00	N/A	EX
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding					
4407.10.01	Coniferous.	EX	N/A	13.00	N/A	EX
4407.10.02	Coniferous.	EX	N/A	18.00	N/A	EX
4407.10.03	Coniferous.	EX	N/A	13.00	N/A	EX
4407.10.99	Coniferous .	EX	N/A	18.00	N/A	EX
4407.24.01	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	N/A	18.00	N/A	EX
4407.24.99	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	N/A	18.00	N/A	EX
4407.25.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	18.00	N/A	EX
4407.26.01	White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan.	EX	N/A	18.00	N/A	EX
4407.29.01	Other	EX	N/A	18.00	N/A	EX
4407.29.99	Other	EX	N/A	18.00	N/A	EX
4407.91.01	Of oak (Quercus spp.).	EX	N/A	18.00	N/A	EX
4407.92.01	Of beech (Fagus spp.).	EX	N/A	13.00	N/A	EX
4407.92.99	Of beech (Fagus spp.).	EX	N/A	18.00	N/A	EX
4407.99.01	Other.	EX	N/A	18.00	N/A	EX
4407.99.02	Other.	EX	N/A	13.00	N/A	EX
4407.99.03	Other.	EX	N/A	13.00	N/A	EX
4407.99.04	Other.	EX	N/A	13.00	N/A	EX
4407.99.05	Other.	EX	N/A	18.00	N/A	EX
4407.99.99	Other.	EX	N/A	18.00	N/A	EX
4408	Veneer sheets and sheets for plywood (whether or not spliced) and other wood sawn lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness not exceeding 6 mm.					
4408.10.01	Coniferous.	EX	N/A	18.00	N/A	EX
4408.31.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	18.00	N/A	EX
4408.39.99	Other.	EX	N/A	18.00	N/A	EX
4408.90.99	Other.	EX	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2003	Product Description					
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-joi					
4409.10.01	Coniferous.	EX	N/A	23.00	N/A	EX
4409.10.02	Coniferous	EX	N/A	13.00	N/A	EX
4409.10.99	Coniferous.	EX	N/A	23.00	N/A	EX
4409.20.01	Nonconiferous.	EX	N/A	23.00	N/A	EX
4409.20.99	Nonconiferous.	EX	N/A	23.00	N/A	EX
4410	Particle board and similar board of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.					
4410.11.01	Waferboard, including oriented strand board.	EX	N/A	N/A	N/A	EX
4410.19.99	Other	EX	N/A	N/A	N/A	EX
4410.90.01	Of other ligneous materials.	EX	N/A	18.00	N/A	EX
4410.90.02	Of other ligneous materials.	EX	N/A	N/A	N/A	EX
4410.90.99	Of other ligneous materials.	EX	N/A	23.00	N/A	EX
4411	Fiberboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances.					
4411.11.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.19.99	Other.	EX	N/A	18.00	N/A	EX
4411.21.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.29.99	Other.	EX	N/A	18.00	N/A	EX
4411.31.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.39.99	Other.	EX	N/A	18.00	N/A	EX
4411.91.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2003	Product Description					
4411.99.99	Other	EX	N/A	18.00	N/A	EX
4412	Plywood, veneered panels and similar laminated wood.					
4412.13.01	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	23.00	N/A	EX
4412.13.99	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	18.00	N/A	EX
4412.14.99	Other, with at least one outer ply of nonconiferous wood.	EX	N/A	18.00	N/A	EX
4412.19.01	Other, with both outer plies of coniferous wood.	N/A	N/A	18.00	N/A	EX
4412.19.02	Other, with both outer plies of coniferous wood.	EX	N/A	N/A	N/A	EX
4412.19.99	Other, with both outer plies of coniferous wood.	EX	N/A	23.00	N/A	EX
4412.22.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	23.00	N/A	EX
4412.23.99	Other, containing at least one layer of particle board	EX	N/A	18.00	N/A	EX
4412.29.99	Other.	EX	N/A	23.00	N/A	EX
4412.92.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	23.00	N/A	EX
4412.93.99	Other, containing at least one layer of particle board.	EX	N/A	18.00	N/A	EX
4412.99.99	Other.	EX	N/A	23.00	N/A	EX
4413	Densified wood, in blocks, plates, strips or profile shapes.					
4412.00.01	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	13.00	N/A	EX
4413.00.02	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	18.00	N/A	EX
4413.00.99	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	23.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2003	Product Description					
4414	Wooden frames for paintings, photographs, mirrors or similar objects.					
4414.00.01	Wooden frames for paintings, photographs, mirrors or similar objects.	EX	N/A	30.00	N/A	EX
4415	Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums, of wood; pallets, box-pallets and other load boards, of wood; pallet collars of wood.					
4415.10.01	Cases, boxes, crates, drums and similar packings; cable-drums.	EX	N/A	23.00	N/A	EX
4415.20.01	Pallets, box-pallets and other load boards; pallet collars	EX	N/A	23.00	N/A	EX
4415.20.99	Pallets, box-pallets and other load boards; pallet collars.	EX	N/A	23.00	N/A	EX
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.					
4416.00.01	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.	EX	N/A	Ex.	N/A	EX
4416.00.02	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.03	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.04	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.99	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.					
4417.00.01	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	N/A	18.00	N/A	EX
4417.00.99	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	N/A	23.00	N/A	EX
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled parquet panels; shingles and shakes.					
4418.10.01	Windows, French windows and their frames.	EX	N/A	23.00	N/A	EX
4418.20.01	Doors and their frames and thresholds.	EX	N/A	23.00	N/A	EX
4418.30.01	Parquet panels.	EX	N/A	23.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2003	Product Description					
4418.40.01	Formwork (shuttering) for concrete constructional work.	EX	N/A	23.00	N/A	EX
4418.50.01	Shingles and shakes.	EX	N/A	23.00	N/A	EX
4418.90.01	Other.	EX	N/A	23.00	N/A	EX
4418.90.99	Other.	EX	N/A	23.00	N/A	EX
4419	Tableware and kitchenware, of wood.					
4419.00.01	Tableware and kitchenware, of wood.	EX	N/A	30.00	N/A	EX
4420	Wood marquetry and inlaid wood; caskets and cases for jewelry or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling within chapter 94					
4420.10.01	Statuettes and other ornaments, of wood.	EX	N/A	30.00	N/A	EX
4420.90.99	Other.	EX	N/A	30.00	N/A	EX
4421	Other articles of wood.					
4421.10.01	Clothes hangers.	EX	N/A	23.00	N/A	EX
4421.90.01	Other.	EX	N/A	18.00	N/A	EX
4421.90.02	Other.	EX	N/A	18.00	N/A	EX
4421.90.03	Other.	EX	N/A	23.00	N/A	EX
4421.90.04	Other.	EX	N/A	18.00	N/A	EX
4421.90.99	Other.	EX	N/A	23.00	N/A	EX
4422		N/A	N/A	N/A	N/A	N/A
4423		N/A	N/A	N/A	N/A	N/A
4424		N/A	N/A	N/A	N/A	N/A
4425		N/A	N/A	N/A	N/A	N/A
	Pre-fabricated Houses, a subsection under chapter 96	N/A	N/A	N/A	N/A	N/A

1/ Tariff rates applicable during 2003 for commodities from countries which Mexico has not signed any Free Trade Agreement, as published in the Mexican Diario Oficial (Federal Register) on January 18, 2002.